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HARVARD

RRC NEWSLETTER

RUSSIAN RESEARCH CENTER

May 10, 1986
Volume X, Number 8

INDUSTRIAL PRODUCTION FIGURES

Product	1st 3 Months of 1986	1st 3 Months of '86 as % of 1st 3 Months of 1985
Electricity (bil.kw.hrs)	437	104
Petroleum (inc. gas cond.)(mil. metric tons)	149	101
Natural Gas (bil.cu.mtrs)	172	107
Coal (mil. metric tons)	194	105
Steel (mil. metric tons)	40.1	110
Fertilizer (mil.tons)	8.7	113
Metal-cutting tools (mil. rubles)	718	116
Robots (in thousands)	3.4	127
Computer Technology (bil. rubles)	1.1	117
Tractors (mil. hpower)	13.9	105
Paper (mil. metric tons)	1.6	109
Cement (mil. metric tons)	32.8	110
Meat(mil. metric tons)	2.8	107
Margerine (1000 tons)	405	105
Watches(mils.)	17.5	107
Radios (millions)	2.2	106
Television sets (millions)	2.3	104
Automobiles (1000s)	333	100.7

The production for the first three months of 1986 continues to increase compared to the first quarter of 1985. Most of the indices are not quite as high as they were for the first two months of the year, but they continue to grow. For example, for the whole three months, steel production is 10% and coal production is 5% higher, in both cases an unusually large amount.

The official communique announcing the increase points out that the impressive results are "to a certain extent linked with the low growth of production in the first three months of last year." That is somewhat more candor than we are accustomed to, but the fact remains that production is still growing.

The statistical report also points out that the petroleum industry is not fulfilling its targets. Nonetheless oil production in March 1986, compared to March 1985, was up two percent. Again, that contrasts with the drop in production observed last year at this time. There is another official report which says that on April 20, the oil producing enterprise in Nizhnevartovsk is now meeting its planned daily output of one million tons of petroleum per day. In fact, it is beginning to

overfulfill its plan. This is in direct contrast to the operations of the enterprise in 1985, when they fell far behind their targets.

The big question now, however, in the Soviet Union is "what will happen in the aftermath of the melt through at Chernobyl?" We should expect to see, in the May figures, and maybe even as early as the April figures, not only a decline in electricity generation, but in industrial production. Next month at this time, in other words, we may have some clue as to the impact of the nuclear accident on the entire Soviet economy.

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HEAD OF LIVESTOCK IN

COLLECTIVE AND STATE FARMS
(in millions)

	Apr 1 1985	Apr 1 1986	1986 as % of 1985
Cattle	96.7	97.1	100.4%
Cows	29.6	29.2	96.6%
Hogs	57.6	58.8	102.1%
Sheep & Goats	132.1	132.6	100.4%
Chickens	756.2	779.7	103.1%

Except for the number of cows, which are down more than they were a year ago at this time, all other livestock categories have increased. It will be interesting, again, to see what happens to the livestock herds when we receive the April and, even more telling, the May figures.

NEGOTIATING WITH THE SOVIETS

The final Corporate Sponsor Seminar of the 1985-86 academic year took place May 5, 1986 at the Harvard Faculty Club. The conference was well attended, with over 70 participants from the U.S. government, business, media and academia.

Professor Adam B. Ulam opened the conference with a short synopsis of the historical background of US-Soviet negotiations. His presentation was followed by the first of three panels examining negotiating experiences from the business, diplomatic, and socio-cultural perspectives. Private sector panel members included Mr. Ara Oztemel, Chairman of the Board of the SATRA Corporation; Mr. Robert Schmidt, President of MinnAspin Associates; Mr. C. Vlachoutsikos, a Greek businessman, and Mr. Bill O'Hara of The Mercator Corporation. Certain basic elements of dealing effectively with Soviet Foreign Trade representatives were introduced: businessmen must deal from a position of strength and should be willing to walk away from negotiations should they fail to bear fruit; preparation is crucial as Soviet negotiators are always well informed; Soviets are looking for long-term economic relationships; the Soviet Union has a good reputation for implementation once a contract is signed; back channels can often be useful in the negotiating process; and while it is difficult to have a clause removed from a contract, it can be effectively nullified by additional clauses.

After lunch, the Public sector panel commenced with short presentations by Mr. Helmut Sonnenfeldt, a Guest Scholar of the Brookings Institution and Mr. Dimitri K. Simes, Senior Research Associate of the Carnegie Endowment for Inter-

national Peace. As might be expected, and as both Mr. Sonnenfeldt and Mr Simes indicated, what holds true in business negotiations, in terms of preparation and style, often holds true in the diplomatic sphere. It was pointed out that Soviet negotiators may be willing to let negotiations drag on for years if it appears to be to their benefit; that deadlocks may not be as insurmountable as they may first appear; that it may often be preferable to operate with informal agreements because of the degree of maneuverability they allow; that American diplomatic negotiations are heavily influenced by domestic public opinion and domestic politics and can thus be thwarted even after an agreement has be negotiationed; and that it is a common practice for the Soviet government to use private Western groups as a means of influencing the position of the U.S. government in negotiations. Mr. Simes likened US-Soviet negotiations to a heavyweight boxing match, and stressed that the most crucial consideration in East-West negotiations is not a balance of arguments, but a balance of power.

The third and final panel dealt with negotiations in the cultural and social spheres and featured Mr. Allen Kassof, Director of IREX, Professor Howard Raiffa of the Harvard Business School and Professor C.C. Lamberg-Karlovsky of Harvard's Department of Anthropology and Curator of the Peabody Museum. Mr. Kassof stressed the importance of continuing negotiations after the agreement has been signed, in order to guarantee that contracts and agreements are fulfilled. The crucial nature of long-term personal contacts can not be overstated. He also commented on the Soviet notion of "exceptionalism" -- the Soviets claim they can't get their paperwork done on schedule, so you have to process your paperwork more quickly. Professor Raiffa spoke about his many years of experience with the International Institute of Applied Systems Analysis (IIASA) in Vienna, stressing the recurring theme of personal relationships and back channel cooperation. Professor Lamberg-Karlovsky discussed his ongoing negotiations, started in 1977, to obtain permission to excavate in Soviet Central Asia. He stressed that the Soviets must be able to clearly identify benefits which will be derived from cooperation if one hopes to reach some kind of agreement. He also pointed out that competing interests within the USSR itself (between different Ministries, Republics, or cities) can create internal tensions which can result in delays or rejections.

CURRENCY FIGURES

Rubles Purchased Per 100	Feb 1986	Mar 1986	April 1986
Austrian shilling	4.44	4.54	4.38
U.K. pound	104.18	104.64	107.45
W. German mark	31.26	31.82	31.32
U.S. dollar	73.55	71.40	72.60
French franc	10.17	10.36	9.84
Japanese yen	.401	.408	.405
Italian lira	.0459	.0468	.0457
Swiss franc	37.71	37.99	37.52

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Business

THE GRIM TOLL OF CHERNOBYL

A Threat to Soviet Economic Reform

By MARSHALL I. GOLDMAN

WHILE there obviously is never a good time for a nuclear meltdown, the Chernobyl disaster comes at a particularly awkward moment for the Soviet economy. It may well abort Mikhail S. Gorbachev's ambitious effort to turn the Soviet economy around.

Before Chernobyl, Mr. Gorbachev's efforts to discipline and motivate the Soviet work force were beginning to bear fruit. According to official Soviet data, in the first three months of 1986, industrial production rose 6.7 percent and labor productivity 6.3 percent over the comparable period in 1985.

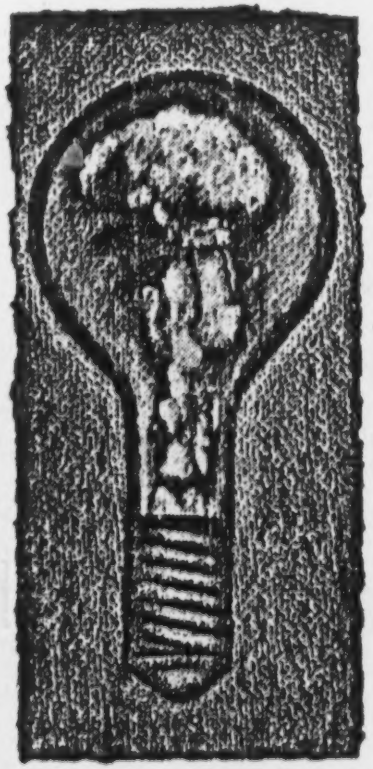
Even oil production was increasing again. Since Mr. Gorbachev made a personal tour of the west Siberian oilfields last year, fired several officials and criticized many more, production — which at one point was down by 4 percent on a monthly basis — has rebounded to a 2 percent growth rate, compared with the same month a year before. Equally impressive, steel production increased by 10 percent in the first quarter of 1986, compared with a year earlier, something not seen for a decade or more.

Building on this momentum, Mr. Gorbachev seemed to be preparing to bring high technology and better services to the Soviet Union so that it would be competitive with the United States not only in military strength but in economic sophistication. Given the resistance to previous attempts at reform, this may have been an unattainable dream. But to make any inroads, Mr. Gorbachev realized he would have to establish his credibility as a manager and leader, and he seemed to be doing just that — until Chernobyl.

The accident jeopardizes not only his credibility, but also the economic momentum he has generated. There is no way that Mr. Gorbachev could have escaped at least some criticism for Chernobyl, but the inept, if not unconscionable, way the Soviet people have been kept in the dark about the potential dangers has turned a bad situation into one with unusually serious and enduring consequences.

The first economic casualty, then, is the sense that the Soviet Union had finally found itself a leader who would provide his people with the openness and respect they have so long been denied. As the editors of Sovietskaya Rossiya, a Moscow newspaper, said in January, "In the interests of truth and of speaking openly with people on all vital questions, our information must be up-to-date, accurate and complete." For Mr. Gorbachev, Chernobyl fails on all three accounts.

The second casualty is the Soviet energy industry. At a minimum, Chernobyl's four generating units, with a total capacity of 4,000 megawatts, will be out of commission for the foreseeable future. Even though the units account for almost one-half of the Ukraine's electrical capacity, nuclear-generation provides only 11 percent of the Soviet Union's total electric energy. So the loss of Chernobyl is not irreplaceable, particularly now that the weather is warmer and the days sunnier. Yet, in a country long accustomed to brownouts, any loss of capacity hurts.



Moreover, the accident will slow the Soviet's nuclear drive, requiring the diversion for electricity generation of more natural gas, coal and possibly some petroleum that otherwise could be set aside for hard-currency exports. Fortunately for Mr. Gorbachev, oil production is increasing again, but that increase will not compensate for the fall in world oil prices, all the more so if more energy must be kept for home consumption.

The last thing the Soviets need is a further crimp in their hard-currency earning abilities — Soviet foreign debt will increase by over $5 billion this year because of falling oil prices. The recent shift in the winds to the south and the east from Chernobyl is putting many important Soviet crops in the country's rich black-soil zone at risk. Assuming Soviet leaders do the right thing (which at this point is not all that certain), they will destroy some of these crops, which will necessitate increased imports. For a nation that imported $7 billion of grain in 1984, any further loss is unwelcome, though by no means devastating.

None of these setbacks is insurmountable. The more important consequence of Chernobyl may be the dashing of Mr. Gorbachev's hopes for reforms, innovation and inspired leadership. ■

Marshall I. Goldman is professor of economics at Wellesley College and associate director of the Russian Research Center at Harvard.

THE SOVIET UNION

Nuclear tragedy, historical secrecy

Chernobyl shuts door on the new 'openness'

By Marshall I. Goldman
Special to the Globe

"In the interest of truth and of speaking openly with people on all vital questions, our information must be up-to-date, accurate and complete." This editorial statement in Sovetskaia Rossia, the newspaper of the Russian Republic, on New Year's Day spelled out what is supposed to be a new official Soviet policy of increased openness. It is one that Mikhail Gorbachev has told the Soviet people he fully endorses. In a speech on Soviet television that same day, he put it this way: "Today, we call things as they are. Successes are successes; mistakes are mistakes. That is the proper medicine for arrogance and smugness."

In dealing with the Chernobyl nuclear power plant accident, Soviet authorities were neither "up-to-date, accurate or complete." Instead, their customary concerns for secrecy, image and their fear of public panics prevailed.

It is natural to ask whether the concept of openness is a new approach or wishful thinking. In fairness, until the Chernobyl meltdown, there did seem to be more openness. It would be a gross exaggeration to suggest that the Soviets had officially adopted anything close to a "sunshine law," where everything is done in the open, but some things that were never acknowledged before have indeed begun to work their way into the public domain.

Soviet television viewers have rediscovered the evening news programs such as Panorama and Vremia (Time). In contrast to the past dull and predictable porridge of statistics and tractor stories, now there are regular live interviews with industrial ministers. They are directly challenged on their shortcomings. One viewer complained, for example, that she was fired from the Ministry of Agriculture, and she wanted to know why. All of this in front of the viewing public.

The Vremia program is also the one that carried the curt communique about the crisis at Chernobyl. Brief as they are, these announcements have told the Soviet people more than they were told in earlier nuclear accidents. Thus no official word has to this day been published about the catastrophe in 1957 at Kyshteyn in the Ural Mountains where it is believed hundreds of lives were lost and 20 or 30 villages simply eliminated from the map. Less far-reaching nuclear accidents occurred in 1971, near the Caspian Sea, and in 1981, at Rovno, also in the Ukraine, but they, too, were kept secret.

There is every reason to believe that the handling of the Chernobyl accident would also have been kept secret if the winds had not been blowing toward the northwest and thus outside the boundaries of the Soviet Union. The time for action is as soon as possible after any such accident occurs, so people nearby and downwind can seek shelter and protect their livestock, water and milk. Even now, we are uncertain just when the accident occurred. Some Swedes think it may have happened on Thursday or Friday. A Soviet diplomat in Canada had the gall to tell Ted Koppel on ABC-TV's "Nightline" that the reason the Soviets had not bothered to inform officials outside the Soviet Union was because it was the weekend, and they assumed that no one would be able to answer their call.

This, by the way, is not the first time that Soviet authorities have behaved in such a cavalier manner toward the outside world. Just as they did not inform their own people about the previous nuclear mishaps, so they were unwilling to provide the Canadians with any information about the satellite that crashed in Canadian territory in January 1978, even though it contained radioactive substances. Their behavior was not too much different following their September 1983 attack on Korean Airlines Flight 007; for several days, they denied they had fired on the plane, and once they belatedly acknowledged they had, they sought to justify their actions by insisting it was a spy plane.

Admittedly, the Soviet Union is not the only country that tries to hold back damaging information. The British did it when they had a nuclear accident several decades ago, and, of course, the United States has not been as forthcoming as it might be about such things as acid rain. But Soviet authorities seem to have particular difficulty dealing with bad news. Some of this is cultural and some political.

For an American, the Soviet penchant for secrecy is hard to understand. Without question, there are times in the West when we devote too much attention to news. The coverage of Three Mile Island accident in March 1979 is a good example. As serious as the failure was, no deaths have as yet resulted. But because emergency precautions must be taken immediately, a nuclear accident demands faster and more complete, rather than delayed and elliptical, coverage.

One explanation for such behavior is the Soviets' perennial concern for secrecy. The less that foreigners know about life in the Soviet Union, the better. The Soviet government recently enacted a law that, in effect, makes it a criminal offense for any Soviet citizen to reveal the details of his or her work, even if not related to military matters. For years, Soviet authorities were reluctant to publish a detailed street map of Moscow and other large cities. One of the best presents an American in Moscow could give a Muscovite with an automobile was the CIA's street map of the city with an alphabetical index. The Americans could find their way around, the Soviets could not. Similar paranoia also helps to explain why phone books are virtually unobtainable for ordinary citizens in the Soviet Union and why the last one in Moscow was published around 1982.

The Soviets are also very concerned about their image. They do all they can to control what foreigners learn about the Soviet Union. Controlling the news is not just a communist, but a historical Russian fetish. In 1787, Catherine the Great took the visiting prince of Austria, Joseph II, on a tour of southern Russia. To ensure that she and her guest had a favorable impression, the local administrator of the province, Prince Gregory Potemkin, ordered the construction of special peasant homes and assigned ranks of peasants to wave at the visiting dignitaries as they drove through. Ever since then, Potemkin villages have been used by Russian and Soviet authorities as a way of misleading not only foreign visitors, but their own superiors. It is important to show only the happy and positive side of life. In modern-day Soviet life, this is called Socialist Realism.

There is another equally important cultural explanation. The Russians traditionally have a dread of panics. After all, the revolutions of 1905 and 1917 were examples of a panic out of control. Even Dostoyevsky, in his use of the Grand Inquisitor in "The Brothers Karamazov," reflects the Russian desire for order.

On Wednesday, a Soviet visitor to my economics class at Wellesley College, a resident of Kiev, insisted that he agreed with the Soviet policy of withholding information about the nuclear accident nearby. If the government did warn people, how would they all flee Kiev? he asked. A panic would ensue, and more lives would be lost than if everybody stayed put without any precautions. As an illustration, he told of how, earlier this year, authorities in Kiev warned that the dam holding back the reservoir above Kiev had burst. Panic immediately ensued. Thirty minutes later, however, the authorities reported that there had been a mistake. Wouldn't it have been better, he asked, if there had been no such report? One of my students, bless her, raised her hand and asked, "But what if the dam had burst?" In a nuclear accident, if remedial actions are to be effective, they must be taken immediately. It may be trite, but, in such circumstances, it is better to be safe than sorry.

What is particularly disturbing in all of this is that Gorbachev has taken so long to respond. During his November summit meeting with President Reagan, Gorbachev impressed many observers with what seemed to be a new openness. Of course, that was an exercise in political manipulation – not crisis management. It may be that, eventually, he will decide to cut his losses and open the facility to public scrutiny.

Sooner or later, not only the Soviet Union but all of us must come to understand that, in the nuclear age, accidents of this sort must not be caught up in Cold War considerations. No reactor is an island unto itself.

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Appeared in the May 4, 1986
Boston Globe Focus Section.

Soviets

Continued from Page A17